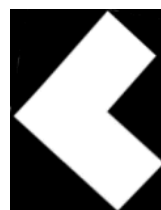


*Town of Chase City, Virginia*  
*Annual Comprehensive Financial Report*  
*Year Ended June 30, 2023*



*Creedle, Jones  
& Associates, P.C.*  
*Certified Public Accountants*

# Town of Chase City, Virginia

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# FINANCIAL SECTION





## **INDEPENDENT AUDITOR'S REPORT**

To the Town Council  
Town of Chase City, Virginia

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Chase City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Chase City, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chase City, Virginia, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Chase City, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 94, Public-Private and Public-Public Partnerships and No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chase City, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chase City, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chase City, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule related to pension and OPEB on pages 1 through 7, 62-67, and 68-75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chase City, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2024, on our consideration of the Town of Chase City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chase City, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chase City, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Associates, P.C.*

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
February 10, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Chase City, Virginia presents the following discussion and analysis as an overview of the Town of Chase City, Virginia's financial activities for the fiscal year ending June 30, 2023. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

### Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$4,055,337. Of this amount, \$2,225,693 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$1,967,872 with an unrestricted deficit balance of \$(114,610).
- The Town's total net position increased by \$164,211 during the current fiscal year. Of this amount, an increase of \$227,305 is related to governmental activities and a decrease of \$63,094 is attributed to business-type activities.
- As of June 30, 2023, the Town's Governmental Funds reported combined ending fund balances of \$4,337,614, an increase of \$304,573 in comparison with the prior year. Approximately 57% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2023, the general fund unassigned fund balance was \$2,554,965, or approximately 94% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

## **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single aggregated presentation, if applicable.

The Town has two types of funds:

*Governmental Funds* - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Development Block Grant Funds, ARPA Fund, Building Demolition Fund, Cemetery Fund, and Woodland Cemetery Fund, all of which are considered to be major funds.

*Proprietary Funds* – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

## **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

## **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as the budgetary comparison schedule.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 5,397,742	\$ 4,605,015	\$ 317,174	\$ 341,803	\$ 5,714,916	\$ 4,946,818
Net capital assets	<u>2,775,278</u>	<u>2,847,892</u>	<u>4,268,777</u>	<u>4,417,324</u>	<u>7,044,055</u>	<u>7,265,216</u>
Total Assets	<b>8,173,020</b>	7,452,907	<b>4,585,951</b>	4,759,127	<b>12,758,971</b>	12,212,034
<b>Deferred Outflows of Resources</b>	<u>181,954</u>	<u>412,430</u>	<u>51,318</u>	<u>116,326</u>	<u>233,272</u>	<u>528,756</u>
Total Assets and Deferred Outflows of Resources	<u><b>\$ 8,354,974</b></u>	<u>\$ 7,865,337</u>	<u><b>\$ 4,637,269</b></u>	<u>\$ 4,875,453</u>	<u><b>\$ 12,992,243</b></u>	<u>\$ 12,740,790</u>
<b>Liabilities</b>						
Other liabilities	\$ 1,026,149	\$ 542,108	\$ 182,821	\$ 172,527	\$ 1,208,970	\$ 714,635
Long-term liabilities	<u>2,952,322</u>	<u>2,810,673</u>	<u>2,406,444</u>	<u>2,492,010</u>	<u>5,358,766</u>	<u>5,302,683</u>
Total Liabilities	<b>3,978,471</b>	3,352,781	<b>2,589,265</b>	2,664,537	<b>6,567,736</b>	6,017,318
<b>Deferred Inflows of Resources</b>	<b>321,166</b>	684,524	<b>80,132</b>	179,950	<b>401,298</b>	864,474
<b>Net Position</b>						
Net investment in capital assets	<b>1,829,644</b>	1,821,575	<b>2,082,482</b>	2,086,643	<b>3,912,126</b>	3,908,218
Unrestricted (Deficit)	<u>2,225,693</u>	<u>2,006,457</u>	<u>(114,610)</u>	<u>(55,677)</u>	<u>2,111,083</u>	<u>1,950,780</u>
Total Net Position	<u><b>4,055,337</b></u>	<u>3,828,032</u>	<u><b>1,967,872</b></u>	<u>2,030,966</u>	<u><b>6,023,209</b></u>	<u>5,858,998</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><b>\$ 8,354,974</b></u>	<u>\$ 7,865,337</u>	<u><b>\$ 4,637,269</b></u>	<u>\$ 4,875,453</u>	<u><b>\$ 12,992,243</b></u>	<u>\$ 12,740,790</u>

## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 306,307	\$ 280,333	\$ 1,168,677	\$ 1,096,398	\$ 1,474,984	\$ 1,376,731
Grants and contributions	1,870,983	1,748,916	-	-	1,870,983	1,748,916
<b>General Revenues</b>						
General property taxes, real and personal	648,073	598,586	-	-	648,073	598,586
Other taxes	939,948	866,307	-	-	939,948	866,307
Grants and contributions not restricted to specific programs	107,897	104,955	-	-	107,897	104,955
Unrestricted revenues from use of money and property	61,013	(46,446)	10,541	2,376	71,554	(44,070)
Miscellaneous	104,981	97,439	-	-	104,981	97,439
Total Revenues	<u>4,039,202</u>	<u>3,650,090</u>	<u>1,179,218</u>	<u>1,098,774</u>	<u>5,218,420</u>	<u>4,748,864</u>
<b>Expenses</b>						
General government administration	445,560	531,949	-	-	445,560	531,949
Public safety	976,108	1,012,745	-	-	976,108	1,012,745
Public works	1,989,401	1,061,172	-	-	1,989,401	1,061,172
Parks, recreation, and cultural	156,467	163,768	-	-	156,467	163,768
Community development	174,143	450,593	-	-	174,143	450,593
Water and sewer	-	-	1,236,487	1,202,084	1,236,487	1,202,084
Interest on long-term debt/closing costs	28,968	57,206	47,075	49,371	76,043	106,577
Total Expenses	<u>3,770,647</u>	<u>3,277,433</u>	<u>1,283,562</u>	<u>1,251,455</u>	<u>5,054,209</u>	<u>4,528,888</u>
Increase (Decrease) in Net Position Before Transfers	268,555	372,657	(104,344)	(152,681)	164,211	219,976
Transfers	(41,250)	(681,262)	41,250	681,262	-	-
Change in Net Position	227,305	(308,605)	(63,094)	528,581	164,211	219,976
Beginning Net Position	3,828,032	4,136,637	2,030,966	1,502,385	5,858,998	5,639,022
Ending Net Position	<u>\$ 4,055,337</u>	<u>\$ 3,828,032</u>	<u>\$ 1,967,872</u>	<u>\$ 2,030,966</u>	<u>\$ 6,023,209</u>	<u>\$ 5,858,998</u>

Governmental activities decreased the Town's net position by \$227,305 for fiscal year 2023. Revenues from governmental activities totaled \$4,039,202. Grants and contributions comprise the largest source of these revenues totaling \$1,870,983. Other local taxes comprise the second largest source of these revenues totaling \$939,948.

The total cost of all governmental activities for this fiscal year was \$3,770,647. Public works was the Town's largest program with expenses totaling \$1,989,401. Public safety, which totals \$976,108, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

## Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 445,560	\$ (441,000)	\$ 531,949	\$ (531,949)
Public safety	976,108	(723,776)	1,012,745	(889,041)
Public works	1,989,401	(1,183,331)	1,061,172	413,531
Parks, recreation, and cultural	156,467	(14,009)	163,768	(151,118)
Community development	174,143	797,727	450,593	(32,401)
Interest on long-term debt	<u>28,968</u>	<u>(28,968)</u>	<u>57,206</u>	<u>(57,206)</u>
Total	<u>\$ 3,770,647</u>	<u>\$ (1,593,357)</u>	<u>\$ 3,277,433</u>	<u>\$ (1,248,184)</u>

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$4,337,614. The combined governmental fund balance increased \$304,573 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$2,554,965. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 94% of total fund expenditures.

### BUDGETARY HIGHLIGHTS

#### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

#### Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 585,500	\$ 585,500	\$ 630,242	\$ 534,200	\$ 534,200	\$ 580,328
Other	1,316,659	1,316,659	1,420,281	1,184,464	1,184,464	1,312,142
Intergovernmental	<u>688,950</u>	<u>688,950</u>	<u>1,028,798</u>	<u>678,100</u>	<u>678,100</u>	<u>744,067</u>
Total	<u>2,591,109</u>	<u>2,591,109</u>	<u>3,079,321</u>	<u>2,396,764</u>	<u>2,396,764</u>	<u>2,636,537</u>
<b>Expenditures</b>	<u>2,591,109</u>	<u>2,591,109</u>	<u>2,710,895</u>	<u>2,396,764</u>	<u>2,396,764</u>	<u>2,939,707</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	<u>368,426</u>	-	-	<u>(303,170)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of debt	-	-	-	-	-	693,598
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,428</u>

The final amended budget appropriations, including expenditures, equaled the original appropriation. No budget amendments took place this year.

Actual revenues were more than final budget amounts by \$488,212, or 19%, while actual expenditures were \$119,786, or 5% more than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2023, the Town's governmental activities net capital assets total \$2,775,278, which represents a net decrease of \$75,544 or 3% over the previous fiscal year-end balance. The business-type activities net capital assets total \$4,268,777, a decrease of \$148,547 or 3% over the previous fiscal year.

### Change in Capital Assets

#### Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land and land improvements	\$ 416,439	\$ -	\$ 416,439
Buildings and improvements	1,756,427	-	1,756,427
Infrastructure - streets, sidewalks, and systems	3,256,609	-	3,256,609
Furniture, equipment, and vehicles	<u>2,772,460</u>	<u>(319,062)</u>	<u>2,453,398</u>
Total Capital Assets	8,201,935	(319,062)	7,882,873
Less: Accumulated depreciation and amortization	<u>(5,354,043)</u>	<u>244,250</u>	<u>(5,109,793)</u>
Net Capital Assets	<u>\$ 2,847,892</u>	<u>\$ (74,812)</u>	<u>\$ 2,773,080</u>
Lease assets	\$ 3,663	\$ -	\$ 3,663
Less: accumulated amortization	<u>733</u>	<u>732</u>	<u>1,465</u>
Lease Assets, Net	<u>\$ 2,930</u>	<u>\$ (732)</u>	<u>\$ 2,198</u>

#### Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land and land improvements	\$ 18,435	\$ -	\$ 18,435
Buildings and infrastructure systems	8,947,770	41,250	8,989,020
Furniture, equipment, and vehicles	<u>301,355</u>	<u>-</u>	<u>301,355</u>
Total Capital Assets	9,267,560	41,250	9,308,810
Less: Accumulated depreciation and amortization	<u>(4,850,236)</u>	<u>(189,797)</u>	<u>(5,040,033)</u>
Net Capital Assets	<u>\$ 4,417,324</u>	<u>\$ (148,547)</u>	<u>\$ 4,268,777</u>

### Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$4,417,839.

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
<b>Governmental Activities</b>			
Long-term debt	\$ 1,026,317	\$ (82,941)	\$ 943,376
Landfill obligation	1,174,332	13,752	1,188,084
Compensated absences	<u>95,757</u>	<u>4,327</u>	<u>100,084</u>
Total Governmental Activities	2,296,406	(64,862)	2,231,544
<b>Business-Type Activities</b>			
Long-term debt	<u>2,330,681</u>	<u>(144,386)</u>	<u>2,186,295</u>
Total Business-Type Activities	<u>2,330,681</u>	<u>(144,386)</u>	<u>2,186,295</u>
Total Reporting Entity	<u>\$ 4,627,087</u>	<u>\$ (209,248)</u>	<u>\$ 4,417,839</u>

More detailed information on the Town's long-term obligations is presented in Note 10 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The average unemployment rate for the Town of Chase City, Virginia in June 2023, which uses Mecklenburg County's rate, was 3.4%. This compares unfavorably to the state's rate of 2.8% and favorably to the national rate of 3.8%.

The population estimate in July 2022 by the University of Virginia Weldon Cooper Center for the Town of Chase City, Virginia was 2,478.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues to be \$2,687,009, a 3% increase over the fiscal year 2023 original budget.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Chase City, Virginia, 525 North Main Street, Suite A, Chase City, Virginia 23924, telephone 434-372-5136, or visit the Town's website at [www.chasecity.org](http://www.chasecity.org).

# BASIC FINANCIAL STATEMENTS



## Town of Chase City, Virginia

## Statement of Net Position

At June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,145,468	\$ 180,679	\$ 5,326,147
Receivables, net	208,143	142,978	351,121
Lease receivable - current	9,197	-	9,197
Internal balances	6,483	(6,483)	-
Total Current Assets	5,369,291	317,174	5,686,465
<b>Noncurrent Assets</b>			
Lease receivable - net of current	28,451	-	28,451
<b>Capital Assets</b>			
Land and construction in progress	416,439	18,435	434,874
Other capital assets, net	2,356,641	4,250,342	6,606,983
Lease assets, net	2,198	-	2,198
Net Capital Assets	2,775,278	4,268,777	7,044,055
Total Noncurrent Assets	2,803,729	4,268,777	7,072,506
Total Assets	8,173,020	4,585,951	12,758,971
<b>Deferred Outflows of Resources</b>			
Pension	166,561	46,978	213,539
OPEB	15,393	4,340	19,733
Total Deferred Outflows of Resources	181,954	51,318	233,272
Total Assets and Deferred Outflows of Resources	\$ 8,354,974	\$ 4,637,269	\$ 12,992,243
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 216,842	\$ 24,421	\$ 241,263
Unearned grant	724,330	-	724,330
Customer deposits	-	158,400	158,400
Total Current Liabilities	941,172	182,821	1,123,993
<b>Noncurrent Liabilities</b>			
<i>Due within one year</i>			
Lease liabilities	730	-	730
Bonds, loans, and other	84,247	147,335	231,582
<i>Due in more than one year</i>			
Compensated absences	100,084	-	100,084
Lease liabilities	1,528	-	1,528
Net OPEB liability	126,300	35,624	161,924
Net pension liability	677,197	184,525	861,722
Landfill closure and post-closure costs	1,188,084	-	1,188,084
Bonds, loans, and other	859,129	2,038,960	2,898,089
Total Noncurrent Liabilities	3,037,299	2,406,444	5,443,743
Total Liabilities	3,978,471	2,589,265	6,567,736
<b>Deferred Inflows of Resources</b>			
Pension	249,100	70,258	319,358
Leases	37,055	-	37,055
OPEB	35,011	9,874	44,885
Total Deferred Inflows of Resources	321,166	80,132	401,298
<b>Net Position</b>			
Net investment in capital assets	1,829,644	2,082,482	3,912,126
Unrestricted (Deficit)	2,225,693	(114,610)	2,111,083
Total Net Position	4,055,337	1,967,872	6,023,209
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,354,974	\$ 4,637,269	\$ 12,992,243

The accompanying notes to the financial statements are an integral part of this statement.

Town of Chase City, Virginia

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government administration	\$ 445,560	\$ -	\$ 4,560	\$ -	\$ (441,000)		\$ (441,000)
Public safety	976,108	41,643	210,689	-	(723,776)		(723,776)
Public works	1,989,401	252,445	553,625	-	(1,183,331)		(1,183,331)
Parks, recreation, and cultural	156,467	12,219	130,239	-	(14,009)		(14,009)
Community development	174,143	-	971,870	-	797,727		797,727
Interest and closing costs on long-term debt	28,968	-	-	-	(28,968)		(28,968)
Total Governmental Activities	3,770,647	306,307	1,870,983	-	(1,593,357)		(1,593,357)
<b>Business-Type Activities</b>							
Water and sewer	1,283,562	1,168,677	-	-		\$ (114,885)	(114,885)
Total Business-Type Activities	1,283,562	1,168,677	-	-		(114,885)	(114,885)
Total Primary Government	\$ 5,054,209	\$ 1,474,984	\$ 1,870,983	\$ -			(1,708,242)
<b>General Revenues</b>							
<b>Taxes</b>							
General property taxes, real and personal					648,073	-	648,073
Other local taxes					939,948	-	939,948
Grants and contributions not restricted to specific programs					107,897	-	107,897
Unrestricted revenues from use of money and property					61,013	10,541	71,554
Miscellaneous					104,981	-	104,981
Transfers					(41,250)	41,250	-
Total General Revenues and Transfers					1,820,662	51,791	1,872,453
Change in Net Position					227,305	(63,094)	164,211
Net Position - Beginning of Year					3,828,032	2,030,966	5,858,998
Net Position - End of Year					\$ 4,055,337	\$ 1,967,872	\$ 6,023,209

The accompanying notes to the financial statements are an integral part of this statement.

Town of Chase City, Virginia

Balance Sheet

Governmental Funds

At June 30, 2023

	General Fund	CDBG Street Projects Funds	ARPA Fund	Building Demolition Fund	Cemetery Fund	Woodland Cemetery Fund	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 2,393,361	\$ 8,415	\$ 854,994	\$ 46,975	\$ 57,371	\$ 1,784,352	\$ 5,145,468
Property taxes receivable, net	81,901	-	-	-	-	-	81,901
Accounts receivable	116,592	-	-	9,650	-	-	126,242
Lease receivable	37,648	-	-	-	-	-	37,648
Due from other funds	130,097	-	-	-	-	-	130,097
	<u>2,759,599</u>	<u>8,415</u>	<u>854,994</u>	<u>56,625</u>	<u>57,371</u>	<u>1,784,352</u>	<u>5,521,356</u>
Total Assets	\$ 2,759,599	\$ 8,415	\$ 854,994	\$ 56,625	\$ 57,371	\$ 1,784,352	\$ 5,521,356
<b>Liabilities</b>							
Accounts payable	\$ 41,364	\$ -	\$ 130,664	\$ -	\$ -	\$ -	\$ 172,028
Unearned grants	-	-	724,330	-	-	-	724,330
Due to other funds	-	-	-	123,614	-	-	123,614
Accrued liabilities	44,314	-	-	-	500	-	44,814
	<u>85,678</u>	<u>-</u>	<u>854,994</u>	<u>123,614</u>	<u>500</u>	<u>-</u>	<u>1,064,786</u>
Total Liabilities	85,678	-	854,994	123,614	500	-	1,064,786
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - property taxes	81,901	-	-	-	-	-	81,901
Leases	37,055	-	-	-	-	-	37,055
	<u>118,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,956</u>
Total Deferred Inflows of Resources	118,956	-	-	-	-	-	118,956
<b>Fund Balance</b>							
Restricted	-	8,415	-	-	-	1,784,352	1,792,767
Assigned	-	-	-	-	56,871	-	56,871
Unassigned	2,554,965	-	-	(66,989)	-	-	2,487,976
	<u>2,554,965</u>	<u>8,415</u>	<u>-</u>	<u>(66,989)</u>	<u>56,871</u>	<u>1,784,352</u>	<u>4,337,614</u>
Total Fund Balance (Deficit)	2,554,965	8,415	-	(66,989)	56,871	1,784,352	4,337,614
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,759,599	\$ 8,415	\$ 854,994	\$ 56,625	\$ 57,371	\$ 1,784,352	\$ 5,521,356

The accompanying notes to the financial statements are an integral part of this statement.

## Town of Chase City, Virginia

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2023

Total Fund Balances for Governmental Funds	\$4,337,614
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**Total net position reported for governmental activities in the Statement of Net Position is different because:**

Capital assets, net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 416,439
Buildings and improvements, net	639,620
Infrastructure - streets, sidewalks, systems, net	1,026,152
Furniture, equipment, and vehicles, net	690,869
Lease assets, net	<u>2,198</u>

Total Capital Assets	2,775,278
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - property taxes	81,901
Unavailable revenue - leases	<u>37,055</u>

Total Other Assets	118,956
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pension	166,561
Deferred outflows of resources related to OPEB	15,393
Deferred inflows of resources related to pension	(249,100)
Deferred inflows of resources related to OPEB	(35,011)
Deferred inflows of resources related to leases	<u>(37,055)</u>

Total Deferred Outflows and Inflows of Resources	(139,212)
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Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(943,376)
Net pension liability	(677,197)
Net OPEB liability	(126,300)
Lease liability	(2,258)
Landfill obligation	(1,188,084)
Compensated absences	<u>(100,084)</u>

Total	<u>(3,037,299)</u>
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Total Net Position of Governmental Activities	<u>\$4,055,337</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Chase City, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General Fund	CDBG Street Projects Funds	CDBG Endly Street Fund	Building Demolition Fund	ARPA Fund	Cemetery Fund	Woodland Cemetery Fund	Total Governmental Funds
<b>Revenues</b>								
Property taxes	\$ 630,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,242
Other local taxes	939,948	-	-	-	-	-	-	939,948
Permits, privilege fees, and regulatory licenses	1,080	-	-	-	-	-	-	1,080
Fines and forfeitures	40,563	-	-	-	-	-	-	40,563
Use of (loss on) money and property	26,401	283	-	60	5,838	5,923	23,961	62,466
Charges for services	252,445	-	-	-	-	12,219	-	264,664
Miscellaneous	103,451	1,090	-	-	-	440	-	104,981
Recovered costs	56,393	-	-	-	-	-	-	56,393
<i>Intergovernmental</i>								
Revenue from the Commonwealth of Virginia	750,753	-	-	-	-	-	-	750,753
Revenue from the Federal Government	278,045	-	144,349	-	805,733	-	-	1,228,127
Total Revenues	3,079,321	1,373	144,349	60	811,571	18,582	23,961	4,079,217
<b>Expenditures</b>								
<b>Current</b>								
General government administration	403,046	-	-	-	-	-	-	403,046
Public safety	927,004	-	-	-	-	-	-	927,004
Public works	1,216,919	-	-	551	770,321	-	-	1,987,791
Parks, recreation, and cultural	23,864	-	-	-	-	17,952	88,310	130,126
Community development	28,153	976	144,389	-	-	-	-	173,518
Debt service	111,909	-	-	-	-	-	-	111,909
Total Expenditures	2,710,895	976	144,389	551	770,321	17,952	88,310	3,733,394
Excess (Deficiency) of Revenues Over Expenditures	368,426	397	(40)	(491)	41,250	630	(64,349)	345,823
<b>Other Financing Sources (Uses)</b>								
Transfers (to) other funds	-	-	-	-	(41,250)	-	-	(41,250)
Total Other Financing Sources (Uses)	-	-	-	-	(41,250)	-	-	(41,250)
Net Change in Fund Balance	368,426	397	(40)	(491)	-	630	(64,349)	304,573
Fund Balance (Deficit) - Beginning of Year	2,186,539	8,018	40	(66,498)	-	56,241	1,848,701	4,033,041
Fund Balance (Deficit) - End of Year	\$ 2,554,965	\$ 8,415	\$ -	\$ (66,989)	\$ -	\$ 56,871	\$ 1,784,352	\$ 4,337,614

The accompanying notes to the financial statements are an integral part of this statement.

Town of Chase City, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 304,573

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ 144,400	
Dispositions of assets	(1,453)	
Depreciation	<u>(217,759)</u>	(74,812)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

17,831

Bond and long-term purchase obligations proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities.

Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Repayments on debt	<u>82,941</u>	
Net Adjustment		82,941

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Net pension liability and related deferred inflows and outflows		(86,973)
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Landfill obligation	(13,752)	
Lease liability	(24)	
Net OPEB liability and related inflows and outflows	1,848	
Compensated absences	<u>(4,327)</u>	
Net Adjustment		<u>(16,255)</u>

Change in Net Position of Governmental Activities \$ 227,305

The accompanying notes to the financial statements are an integral part of this statement.

**Town of Chase City, Virginia**  
Statement of Net Position  
Proprietary Funds  
At June 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sewer Escrow Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 332,613	\$ -	\$ 228,663	\$ 79,810	\$ 641,086
Accounts receivable - customers	<u>68,058</u>	<u>22,254</u>	<u>34,318</u>	<u>18,348</u>	<u>142,978</u>
Total Current Assets	400,671	22,254	262,981	98,158	784,064
<b>Noncurrent Assets</b>					
Land	4,858	13,577	-	-	18,435
Other capital assets, net	<u>644,495</u>	<u>490,656</u>	<u>1,108,203</u>	<u>2,006,988</u>	<u>4,250,342</u>
Net Capital Assets	649,353	504,233	1,108,203	2,006,988	4,268,777
Total Assets	1,050,024	526,487	1,371,184	2,105,146	5,052,841
<b>Deferred Outflows of Resources</b>					
Pension	23,489	23,489	-	-	46,978
OPEB	<u>2,170</u>	<u>2,170</u>	-	-	4,340
Total Deferred Outflows of Resources	<u>25,659</u>	<u>25,659</u>	-	-	51,318
Total Assets and Deferred Outflows of Resources	<u>\$ 1,075,683</u>	<u>\$ 552,146</u>	<u>\$ 1,371,184</u>	<u>\$ 2,105,146</u>	<u>\$ 5,104,159</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 21,812	\$ 2,609	\$ -	\$ -	\$ 24,421
Customer deposits	158,400	-	-	-	158,400
Due to other funds	-	-	-	6,483	6,483
Pooled cash deficit	-	460,407	-	-	460,407
Current portion of notes and bonds payable	-	-	<u>108,000</u>	<u>39,335</u>	<u>147,335</u>
Total Current Liabilities	180,212	463,016	108,000	45,818	797,046
<b>Noncurrent Liabilities</b>					
Net pension liability	87,684	96,841	-	-	184,525
Net OPEB liability	17,812	17,812	-	-	35,624
Notes and bonds payable (net of current portion)	-	-	<u>453,000</u>	<u>1,585,960</u>	<u>2,038,960</u>
Total Noncurrent Liabilities	<u>105,496</u>	<u>114,653</u>	<u>453,000</u>	<u>1,585,960</u>	<u>2,259,109</u>
Total Liabilities	285,708	577,669	561,000	1,631,778	3,056,155
<b>Deferred Inflows of Resources</b>					
Pension	35,129	35,129	-	-	70,258
OPEB	<u>4,937</u>	<u>4,937</u>	-	-	9,874
Total Deferred Inflows of Resources	40,066	40,066	-	-	80,132
<b>Net Position</b>					
Net investment in capital assets	649,353	504,233	547,203	381,693	2,082,482
Unrestricted (Deficit)	<u>100,556</u>	<u>(569,822)</u>	<u>262,981</u>	<u>91,675</u>	<u>(114,610)</u>
Total Net Position (Deficit)	<u>749,909</u>	<u>(65,589)</u>	<u>810,184</u>	<u>473,368</u>	<u>1,967,872</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,075,683</u>	<u>\$ 552,146</u>	<u>\$ 1,371,184</u>	<u>\$ 2,105,146</u>	<u>\$ 5,104,159</u>

The accompanying notes to the financial statements are an integral part of this statement.

## Town of Chase City, Virginia

Statement of Revenues, Expenses, and  
Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sewer Escrow Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
<b>Operating Revenues</b>					
Water and sewer sales	\$ 550,591	\$ 367,967	\$ 137,903	\$ 82,028	\$ 1,138,489
Other income	17,469	180	-	2,799	20,448
Connection and cut-on fees	9,740	-	-	-	9,740
	<u>577,800</u>	<u>368,147</u>	<u>137,903</u>	<u>84,827</u>	<u>1,168,677</u>
<b>Operating Expenses</b>					
Salaries and wages	161,191	152,635	-	-	313,826
Fringe benefits	70,189	66,005	-	-	136,194
Professional services	4,700	40,754	-	-	45,454
Repairs and maintenance	49,832	32,856	-	-	82,688
Materials and supplies	41,594	36,710	-	-	78,304
Utilities and telephone	10,263	80,729	-	-	90,992
Insurance	2,264	2,268	-	-	4,532
Vehicle and power equipment and supplies	15,804	16,237	-	-	32,041
Water purchased - RRSA	242,158	-	-	-	242,158
Other miscellaneous expenses	7,847	7,571	5,083	-	20,501
Depreciation	31,801	24,713	65,738	67,545	189,797
	<u>637,643</u>	<u>460,478</u>	<u>70,821</u>	<u>67,545</u>	<u>1,236,487</u>
Operating Income (Loss)	(59,843)	(92,331)	67,082	17,282	(67,810)
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,596	-	6,195	2,750	10,541
Interest expense	-	-	(11,973)	(35,102)	(47,075)
	<u>1,596</u>	<u>-</u>	<u>(5,778)</u>	<u>(32,352)</u>	<u>(36,534)</u>
Income (Loss) Before Operating Transfers	(58,247)	(92,331)	61,304	(15,070)	(104,344)
<b>Operating Transfers In (Out)</b>					
Operating transfers in	41,250	-	-	-	41,250
Operating transfers out	-	-	-	-	-
	<u>41,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,250</u>
Change in Net Position	(16,997)	(92,331)	61,304	(15,070)	(63,094)
Net Position- Beginning of Year	766,906	26,742	748,880	488,438	2,030,966
Net Position (Deficit) - End of Year	<u>\$ 749,909</u>	<u>\$ (65,589)</u>	<u>\$ 810,184</u>	<u>\$ 473,368</u>	<u>\$ 1,967,872</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Town of Chase City, Virginia**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sewer Escrow Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 575,333	\$ 371,068	\$ 133,217	\$ 83,867	\$ 1,163,485
Other receipts					-
Payments for personnel and fringes	(219,375)	(206,635)	-	-	(426,010)
Payments for other operating supplies	(362,455)	(164,433)	(5,083)	-	(531,971)
Net Cash Provided by (Used in) Operating Activities	(6,497)	-	128,134	83,867	205,504
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers to (from) other funds	41,250	-	-	-	41,250
Net Cash Provided by Noncapital Financing Activities	41,250	-	-	-	41,250
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchases of capital assets	(41,250)	-	-	-	(41,250)
Repayment of long-term debt - principal	-	-	(106,000)	(38,386)	(144,386)
Repayment of long-term debt - interest	-	-	(11,973)	(35,102)	(47,075)
Net Cash Used in Capital and Related Financing Activities	(41,250)	-	(117,973)	(73,488)	(232,711)
<b>Cash Flows from Investing Activities</b>					
Interest income	1,596	-	6,195	2,750	10,541
Net Cash Provided by Investing Activities	1,596	-	6,195	2,750	10,541
Net Increase (Decrease) in Cash	(4,901)	-	16,356	13,129	24,584
Cash - Beginning of Year	337,514	-	212,307	66,681	616,502
Cash - End of Year	<u>\$ 332,613</u>	<u>\$ -</u>	<u>\$ 228,663</u>	<u>\$ 79,810</u>	<u>\$ 641,086</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating income (loss)	\$ (59,843)	\$ (92,331)	\$ 67,082	\$ 17,282	\$ (67,810)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	31,801	24,713	65,738	67,545	189,797
<i>Changes in assets and liabilities</i>					
Receivables, net	(4,004)	2,921	(4,686)	(960)	(6,729)
Deferred outflows - OPEB	254	254	-	-	508
Deferred outflows - pension	32,250	32,250	-	-	64,500
Pooled cash deficit	-	55,942	-	-	55,942
Accounts payable and accrued expenses	12,007	(3,250)	-	-	8,757
Customer deposits	1,537	-	-	-	1,537
Deferred inflows - OPEB	(1,976)	(1,976)	-	-	(3,952)
Deferred inflows - pension	(47,933)	(47,933)	-	-	(95,866)
Net OPEB liability	1,461	1,461	-	-	2,922
Net pension liability	27,949	27,949	-	-	55,898
Net Cash Provided by (Used in) Operating Activities	<u>\$ (6,497)</u>	<u>\$ -</u>	<u>\$ 128,134</u>	<u>\$ 83,867</u>	<u>\$ 205,504</u>

The accompanying notes to the financial statements are an integral part of this statement.

## Town of Chase City, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2023

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The Town of Chase City, Virginia (the "Town"), which was founded in 1873, has a population of approximately 2,478 living within an area of 2.2 square miles. The Town is located in the northwestern area in Mecklenburg County, Virginia. The Town is governed by a Town Manager and a six-member Town Council with each serving administrative and legislative functions.

The Town of Chase City, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development activities.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

### **1-A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

### **Exclusions from the Reporting Entity**

### **Related Organization**

#### *Industrial Development Authority of the Town of Chase City, Virginia*

The Industrial Development Authority (the "Authority") of the Town of Chase City, Virginia was created in 1967. The Authority is authorized to acquire, own, lease, and dispose of local properties which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member board appointed by the Chase City Town Council. The Town of Chase City, Virginia cosigns debt for the Authority. This Organization has no activity at this time.

## Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization. At this time, the Town has no joint activities.

### 1-B. Financial Reporting Model

The Town's Annual Comprehensive Financial Report includes management's discussion and analysis, the basic financial statements, and required and other supplementary information, described as follows:

**Management's Discussion and Analysis** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

**Government-wide Financial Statements** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds Balance Sheet and total governmental activities Net Position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in Net Position of governmental activities as shown on the government-wide Statement of Activities is presented.

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

**GASB-Required Supplementary Pension** – GASB Statement No. 68-- *Accounting and Financial Reporting for Pensions*-- an amendment of GASB No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

**GASB-Required Supplementary OPEB** – GASB issued Statement No. 75-- *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

#### **1-C. Financial Statement Presentation**

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town’s major governmental funds:

- **General Fund** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- **Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
  - Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.
  - Woodland Cemetery Fund – This fund is used solely for the care, upkeep, and beautification of Woodland Cemetery.
  - ARPA Fund – This fund accounts for federal funds received for Coronavirus Relief Activity.
- **Capital Projects Funds** – The Capital Projects Funds account for financial resources to be used for rehabilitation projects other than those financed by proprietary funds. Capital Projects Funds include the following:
  - CDBG Funds – These funds account for the Town’s rehabilitation projects for West 4<sup>th</sup> Street Phase Two and Endly Street.
  - Building Demolition Fund – This fund has been assigned to collect and disburse funds related to cleaning up real property within the Town that taxpayers will not or cannot handle themselves.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no Fiduciary Funds at this time.

#### **1-D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1-E-1 Cash and Cash Equivalents**

The Town operates a cash pool which all funds utilize with the exception of the community development block grant funds, each of which has separate bank accounts. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

**1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

**1-E-3 Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown at original amounts. The Town uses the direct write-off method for bad debts. For fiscal year 2023, the Town had no allowance for uncollectibles established.

*Real and Personal Property Tax Data*

The tax calendars for real and personal property taxes are summarized below:

**Real Property   Personal Property**

Assessed	January 1	January 1
Levy	October 1	October 1
Due Date	January 31	January 31

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes beginning on October 1.

#### **1-E-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

#### **1-E-5 Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists primarily of streets, sidewalks, and systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 to 40 years
Furniture, machinery, and equipment (includes vehicles)	5 to 20 years
Infrastructure	50 years

#### **1-E-6 Leases**

As lessee, the Town recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases. The Town's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As lessor, the Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

#### ***1-E-7 Deferred Outflows/Inflows of Resources***

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, amounts related to pensions for certain actuarially determined differences between projected and actual experience, and lease deferrals.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans and notes receivable. The Town considers revenues available if they are collected within 45 days of the end of the fiscal year.

#### ***1-E-8 Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements.

#### **1-E-9 Pensions**

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1-E-10 Group Life Insurance**

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established and may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1-E-11 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

#### ***Net Position Flow Assumptions***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### ***Fund Balance Flow Assumptions***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***1-E-12 Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

#### ***1-E-13 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

### **1-E-14 Long-Term Obligations**

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

### **1-E-15 Unearned Revenues**

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

### **1-E-16 Adoption of New GASB Statements**

The Town adopted the following GASB statements during the year ended June 30, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

### **1-F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2** Stewardship, Compliance, and Accountability

### **Budgets and Budgetary Accounting**

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

#### *Budgetary Data*

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplementary Appropriations are adopted if necessary during the fiscal year.

### **Expenditures in Excess of Appropriations**

Expenditures exceeded appropriations in the General Fund and Woodland Cemetery Fund.

### **Fund Deficits**

The Building Demolition Fund had an unassigned fund deficit of \$66,989.

## **3** Cash and Cash Equivalents

### *Deposits*

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The following is a summary and reconciliation of the pooled cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2023</u>
Petty cash	\$ 1,100
Deposit accounts	<u>5,325,047</u>
Total Cash and Cash Equivalents	<u>\$ 5,326,147</u>

#### 4 Receivables

Receivables at June 30, 2023 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Property taxes	\$ 81,901	\$ -	\$ 81,901
Meals tax	21,622	-	21,622
Garbage	27,247	-	27,247
Other	77,373	-	77,373
Water, sewer, and sewer escrow	<u>-</u>	<u>142,978</u>	<u>142,978</u>
Total Receivables	<u>\$ 208,143</u>	<u>\$ 142,978</u>	<u>\$ 351,121</u>

#### 5 Due from Other Governmental Units

As of June 30, 2023, there were no receivables due from other governmental units.

#### 6 Interfund Receivables and Payables

Due from/to other funds for the year ended June 30, 2023 consisted of the following:

##### Primary Government

	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>		
Due from Wastewater Fund	\$ 6,483	\$ -
Due from Building Demolition Fund	123,614	-
<b>Wastewater Fund</b>		
Due to General Fund for operating costs	-	6,483
<b>Building Demolition Fund</b>		
Due to General Fund for operating costs	<u>-</u>	<u>123,614</u>
Total Due From/To's between Funds	<u>\$ 130,097</u>	<u>\$ 130,097</u>

## 7 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<b>Primary Government</b>	<u>Transfer to</u>	<u>Transfer from</u>
<b>ARPA Fund</b>		
To Water Fund for operating costs	\$ 41,250	\$ -
<b>Enterprise Fund</b>		
From ARPA Fund for operating costs	<u>-</u>	<u>41,250</u>
Total	<u>\$ 41,250</u>	<u>\$ 41,250</u>

## 8 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 416,439	\$ -	\$ -	\$ 416,439
Total Capital Assets Not Being Depreciated	416,439	-	-	416,439
<b>Other Capital Assets</b>				
Buildings and improvements	1,756,427	-	-	1,756,427
Infrastructure - streets, sidewalks, systems	3,256,609	-	-	3,256,609
Furniture, equipment, and vehicles	<u>2,772,460</u>	<u>144,400</u>	<u>463,462</u>	<u>2,453,398</u>
Total Other Capital Assets	7,785,496	144,400	463,462	7,466,434
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,086,770	30,037	-	1,116,807
Infrastructure - streets, sidewalks, systems	2,202,328	28,129	-	2,230,457
Furniture, equipment, and vehicles	<u>2,064,945</u>	<u>159,593</u>	<u>462,009</u>	<u>1,762,529</u>
Total Accumulated Depreciation	<u>5,354,043</u>	<u>217,759</u>	<u>462,009</u>	<u>5,109,793</u>
Other Capital Assets, Net	<u>2,431,453</u>	<u>(73,359)</u>	<u>1,453</u>	<u>2,356,641</u>
Net Capital Assets	<u>\$ 2,847,892</u>	<u>\$ (73,359)</u>	<u>\$ 1,453</u>	<u>\$ 2,773,080</u>

### Depreciation expense was allocated as follows:

General government administration	\$ 9,789
Public safety	107,122
Public works	73,882
Community development	625
Parks, recreation, and cultural	<u>26,341</u>
Total Depreciation Expense	<u>\$ 217,759</u>

**Governmental Activities**

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
<b>Lease assets</b>				
Equipment	\$ 3,663	\$ -	\$ -	\$ 3,663
<b>Less: accumulated amortization for</b>				
Equipment	733	732	-	1,465
Lease Assets, Net	<u>\$ 2,930</u>	<u>\$ (732)</u>	<u>\$ -</u>	<u>\$ 2,198</u>
	<u>Amortization Expense</u>			
General government administration	<u>\$ 732</u>			
Total	<u>\$ 732</u>			

**Business-Type Activities**

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
<b>Water Fund</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 4,858	\$ -	\$ -	\$ 4,858
Total Capital Assets Not Being Depreciated	4,858	-	-	4,858
<b>Other Capital Assets</b>				
Buildings and systems	1,703,188	41,250	-	1,744,438
Furniture, equipment, and vehicles	96,031	-	-	96,031
Total Other Capital Assets	1,799,219	41,250	-	1,840,469
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	1,068,016	31,801	-	1,099,817
Furniture, equipment, and vehicles	96,157	-	-	96,157
Total Accumulated Depreciation	1,164,173	31,801	-	1,195,974
Other Capital Assets, Net	635,046	9,449	-	644,495
Net Capital Assets	<u>\$ 639,904</u>	<u>\$ 9,449</u>	<u>\$ -</u>	<u>\$ 649,353</u>
<b>Sewer Fund</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 13,577	\$ -	\$ -	\$ 13,577
Total Capital Assets Not Being Depreciated	13,577	-	-	13,577
<b>Other Capital Assets</b>				
Buildings and systems	1,436,486	-	-	1,436,486
Furniture, equipment, and vehicles	104,249	-	-	104,249
Total Other Capital Assets	1,540,735	-	-	1,540,735
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	923,446	24,131	-	947,577
Furniture, equipment, and vehicles	101,920	582	-	102,502
Total Accumulated Depreciation	1,025,366	24,713	-	1,050,079
Other Capital Assets, Net	515,369	(24,713)	-	490,656
Net Capital Assets	<u>\$ 528,946</u>	<u>\$ (24,713)</u>	<u>\$ -</u>	<u>\$ 504,233</u>

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
<b>Sewer Escrow Fund</b>				
<b>Other Capital Assets</b>				
Buildings and systems	\$ 3,286,868	\$ -	\$ -	\$ 3,286,868
Total Other Capital Assets	3,286,868	-	-	3,286,868
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	2,112,927	65,738	-	2,178,665
Total Accumulated Depreciation	2,112,927	65,738	-	2,178,665
Other Capital Assets, Net	1,173,941	(65,738)	-	1,108,203
Net Capital Assets	<u>\$ 1,173,941</u>	<u>\$ (65,738)</u>	<u>\$ -</u>	<u>\$ 1,108,203</u>
<b>Wastewater Fund</b>				
<b>Other Capital Assets</b>				
Buildings and systems	\$ 2,521,228	\$ -	\$ -	\$ 2,521,228
Furniture, equipment, and vehicles	101,075	-	-	101,075
Total Other Capital Assets	2,622,303	-	-	2,622,303
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	504,246	63,031	-	567,277
Furniture, equipment, and vehicles	43,524	4,514	-	48,038
Total Accumulated Depreciation	547,770	67,545	-	615,315
Other Capital Assets, Net	2,074,533	(67,545)	-	2,006,988
Net Capital Assets	<u>\$ 2,074,533</u>	<u>\$ (67,545)</u>	<u>\$ -</u>	<u>\$ 2,006,988</u>
<b>Total Business-Type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 18,435	\$ -	\$ -	\$ 18,435
Total Capital Assets Not Being Depreciated	18,435	-	-	18,435
<b>Other Capital Assets</b>				
Buildings and systems	8,947,770	41,250	-	8,989,020
Furniture, equipment, and vehicles	301,355	-	-	301,355
Total Other Capital Assets	9,249,125	41,250	-	9,290,375
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	4,608,635	184,701	-	4,793,336
Furniture, equipment, and vehicles	241,601	5,096	-	246,697
Total Accumulated Depreciation	4,850,236	189,797	-	5,040,033
Other Capital Assets, Net	4,398,889	(148,547)	-	4,250,342
Net Capital Assets	<u>\$ 4,417,324</u>	<u>\$ (148,547)</u>	<u>\$ -</u>	<u>\$ 4,268,777</u>

## 9 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 1 day per month up to 1 ½ days per month based on years of service. Sick leave is earned at the rate of 1 day per month. No sick leave is paid upon termination. Accumulated vacation up to thirty days is paid upon termination. The Town has outstanding compensated absences totaling \$100,084 for the governmental activities.

# 10 Long-Term Debt

## PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Year(s) Ended June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 84,247	\$ 21,693	\$ 147,335	\$ 44,040	\$ 231,582	\$ 65,733
2025	86,583	19,726	150,179	41,070	236,762	60,796
2026	88,956	17,704	153,041	38,044	241,997	55,748
2027	83,705	15,626	156,922	34,949	240,627	50,575
2028	85,885	13,614	158,822	31,798	244,707	45,412
2029-2033	166,000	50,535	228,291	139,149	394,291	189,684
2034-2038	185,000	27,936	253,858	113,582	438,858	141,518
2039-2043	163,000	9,248	282,289	85,151	445,289	94,399
2044-2048	-	-	313,905	53,536	313,905	53,536
2049-2053	-	-	341,653	17,498	341,653	17,498
Subtotal	943,376	176,082	2,186,295	598,817	3,129,671	774,899
Landfill obligation	1,188,084	-	-	-	1,188,084	-
Compensated absences	100,084	-	-	-	100,084	-
Total	\$ 2,231,544	\$ 176,082	\$ 2,186,295	\$ 598,817	\$ 4,417,839	\$ 774,899

### Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
Long-term note with Benchmark Community Bank for \$498,173 payable in annual installments of \$56,393 for 10 years at 2.49% interest. Proceeds used to purchase a fire truck.	\$ 310,675	\$ -	\$ 48,673	\$ 262,002	\$ 49,885
Long-term note with Benchmark Community Bank for \$31,851.50 payable in annual installments of \$6,651 at a rate of 1.493% for 5 years. Proceeds used to purchase a 2017 Chevrolet Silverado.	25,642	-	6,268	19,374	6,362
General obligation bond Series 2021 for \$690,000 through Powell Valley National Bank payable over 20 years with interest at 2.25%. Principal is payable annually and interest is payable semi-annually. Proceeds were used to purchase land and building.	690,000	-	28,000	662,000	28,000
Landfill obligation	1,174,332	13,752	-	1,188,084	-
Compensated absences	95,757	4,327	-	100,084	-
Total Governmental Activities	2,296,406	18,079	82,941	2,231,544	84,247

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
<b>Enterprise Funds</b>					
<i>Sewer Escrow Fund</i>					
Carter Bank & Trust General Obligation Refunding Bond Series 2016 payable in 12 annual installments with interest rate of 1.95%. Annual principal payments are due July 15 and semiannual interest payments are due January 15 and July 15.	667,000	-	106,000	<b>561,000</b>	108,000
<i>Wastewater Fund</i>					
Long-term loan with Rural Development issued June 2013 for \$1,944,000 payable over 40 years. Monthly payments are \$6,124 with an interest rate of 2.125%.	1,663,681	-	38,386	<b>1,625,295</b>	39,335
Total Business-Type Activities	2,330,681	-	144,386	<b>2,186,295</b>	147,335
Total Primary Government	<b>\$ 4,627,087</b>	<b>\$ 18,079</b>	<b>\$ 227,327</b>	<b>\$ 4,417,839</b>	<b>\$ 231,582</b>

## 11 Leases

### Town as Lessor

The Town has entered into an agreement as lessor for an ATM machine with Wells Fargo Bank, N.A. The lease agreement is summarized as follows:

<u>Property Description</u>	<u>Original Date</u>	<u>Renewal Payment Terms</u>	<u>Next Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
ATM Machine to Wells Fargo Bank, N.A.	6/30/2023	3 renewal agreement for 5 year terms	\$10,200 per year payable \$850/month	3.00%	<b>\$ 37,648</b>
Totals					<b>\$ 37,648</b>

<u>Lease-Related Revenue</u>	<u>Year Ending June 30, 2023</u>
Lease revenue	\$ 9,461
Interest revenue	1,275
Total	<b>\$ 10,736</b>

Annual payments to be received are as follows:

<u>Fiscal Year</u>	<u>Receivable Principal</u>	<u>Interest Income</u>	<u>Totals</u>
2024	\$ 9,197	\$ 1,004	\$ 10,201
2025	9,476	724	10,200
2026	9,764	436	10,200
2027	9,211	139	9,350
	<b>\$ 37,648</b>	<b>\$ 2,303</b>	<b>\$ 39,951</b>

**Town as Lessee**

Lease agreements resulting in lease liabilities for the Town are summarized as follows:

<u>Description</u>	<u>Lessor</u>	<u>Asset Type</u>	<u>Original Lease Date</u>	<u>Original Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Finance and Administration	Pitney Bowes, Inc.	Postage Machine	7/31/2021	60 months	\$65.66 per month	3.00%	<u>\$ 2,258</u> <u>\$ 2,258</u>

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Lease Liabilities	\$ 2,966	\$ -	\$ 708	\$ 2,258	\$ 730

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 730	\$ 58	\$ 788
2025	753	36	789
2026	775	13	788
	<u>\$ 2,258</u>	<u>\$ 107</u>	<u>2,365</u>

**Lease Expense** **Year Ending June 30, 2023**

Amortization expense by class of underlying asset	
Equipment	\$ 732
Total amortization expense	732
Interest on lease liabilities	78
Total	<u>\$ 810</u>

**12 Net Investment in Capital Assets**

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

**Governmental Activities**

**Net Investment in Capital Assets**

Cost of capital assets	\$ 7,886,536
Less: Accumulated depreciation and amortization	<u>(5,111,258)</u>
Book value	2,775,278
Less: Capital related debt	(943,376)
Less: Lease liability	<u>(2,258)</u>
Net Investment in Capital Assets	<u>\$ 1,829,644</u>

**Business-Type Activities**

**Net Investment in Capital Assets**

**Water Fund**

Cost of capital assets	\$ 1,845,327
Less: Accumulated depreciation	<u>(1,195,974)</u>
Book value	649,353
Less: Capital related debt	-
Net Investment in Capital Assets	<u>\$ 649,353</u>

**Sewer Fund**

Cost of capital assets	\$ 1,554,312
Less: Accumulated depreciation	<u>(1,050,079)</u>
Book value	504,233
Less: Capital related debt	<u>-</u>
Net Investment in Capital Assets	<u>\$ 504,233</u>

**Sewer Escrow Fund**

Cost of capital assets	\$ 3,286,868
Less: Accumulated depreciation	<u>(2,178,665)</u>
Book value	1,108,203
Less: Capital related debt	<u>(561,000)</u>
Net Investment in Capital Assets	<u>\$ 547,203</u>

**Wastewater Fund**

Cost of capital assets	\$ 2,622,303
Less: Accumulated depreciation	<u>(615,315)</u>
Book value	2,006,988
Less: Capital related debt	<u>(1,625,295)</u>
Net Investment in Capital Assets	<u>\$ 381,693</u>

**All Business-Type Activities**

Cost of capital assets	\$ 9,308,810
Less: Accumulated depreciation	<u>(5,040,033)</u>
Book value	4,268,777
Less: Capital related debt	<u>(2,186,295)</u>
Net Investment in Capital Assets	<u>\$ 2,082,482</u>

**13 Deferred Inflows of Resources and Unearned Revenue**

Deferred inflows of resources are comprised of the following:

**Primary Government****General Fund**

Delinquent taxes not collected within 60 days	\$ 81,901
Deferred lease revenues	<u>37,055</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 118,956</u>
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**14 Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety Bond coverage is as follows:

**Virginia Risk Sharing Association**

Virginia G. Walker, Treasurer	\$144,000
Sarah E. Caknipe, Deputy Treasurer	144,000
Public Employee Blanket Bond	25,000

## 15 Commitments and Contingencies

Federal programs in which the Town participates were audited in accordance with the provisions as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## 16 Litigation

At June 30, 2023, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

## 17 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

*Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Property	\$ 89,866,600
Debt Limits per Constitution of Virginia - 10% Assessed Value	8,986,660
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>3,129,671</u>
Legal Debt Margin - June 30, 2023	<u>\$ 5,856,989</u>

**Note:** Includes all long-term general obligation bonded debt. Excludes capital leases, landfill closure, and compensated absences.

# 18 Pension Plan

## *Plan Description*

All full-time, salaried permanent (professional) employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

## RETIREMENT PLAN PROVISIONS

### PLAN 1

#### *About Plan 1*

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

#### *Eligible Members*

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

#### *Hybrid Opt-In Election*

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

### PLAN 2

#### *About Plan 2*

Same as Plan 1

#### *Eligible Members*

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

#### *Hybrid Opt-In Election*

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

### HYBRID RETIREMENT PLAN

#### *About the Hybrid Retirement Plan*

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

#### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees\*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

#### *\*Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

**PLAN 1**

**Retirement Contributions**

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Service Credit**

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Vesting**

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

**PLAN 2**

**Retirement Contributions**

Same as Plan 1.

**Service Credit**

Same as Plan 1.

**Vesting**

Same as Plan 1.

**HYBRID  
RETIREMENT PLAN  
Retirement Contributions**

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**Service Credit**

**Defined Benefit Component:**

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Defined Contributions Component:**

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

**Defined Benefit Component:**

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contributions Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

**PLAN 1**

***Calculating the Benefit***

The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

***Average Final Compensation***

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

**PLAN 2**

***Calculating the Benefit***

See definition under Plan 1.

***Average Final Compensation***

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

**VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

**Sheriffs and regional jail superintendents:** Same as Plan 1.

**Political subdivision hazardous duty employees:** Same as Plan 1.

**HYBRID  
RETIREMENT PLAN**

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law .

***Calculating the Benefit***

**Defined Benefit Component:**

See definition under Plan 1.

**Defined Contribution Component:**

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

***Average Final Compensation***

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

***Service Retirement Multiplier***

**Defined Benefit Component:**

**VRS:** The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Sheriffs and regional jail superintendents:** Not applicable.

**Political subdivision hazardous duty employees:** Not applicable.

**Defined Contribution Component**

Not applicable.

**PLAN 1**

*Normal Retirement Age*

**VRS:** Age 65.

**Political subdivisions hazardous duty employees:**  
Age 60.

*Earliest Unreduced Retirement Eligibility*

**VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

*Earliest Reduced Retirement Eligibility*

**VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 50 with at least five years of service credit.

*Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

*Eligibility:*

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**PLAN 2**

*Normal Retirement Age*

**VRS:** Normal Social Security retirement age.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Earliest Unreduced Retirement Eligibility*

**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Earliest Reduced Retirement Eligibility*

**VRS:** Age 60 with at least five years (60 months) of service credit.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

*Eligibility:*

Same as Plan 1

**HYBRID  
RETIREMENT PLAN**  
*Normal Retirement Age*

**Defined Benefit Component:**

**VRS:** Same as Plan 2.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Unreduced Retirement Eligibility*

**Defined Benefit Component:**

**VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Reduced Retirement Eligibility*

**Defined Benefit Component:**

**VRS:** Age 60 with at least five years (60 months) of service credit.

**Political subdivisions hazardous duty employees:**  
Not applicable

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Cost-of-Living Adjustment (COLA) in Retirement*

**Defined Benefit Component:**

Same as Plan 2

**Defined Contribution Component:**

Not applicable

*Eligibility:*

Same as Plan 1 and Plan 2

### **PLAN 1**

#### *Exceptions to COLA Effective Dates:*

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

#### ***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

#### ***Purchase of Prior Service***

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

### **PLAN 2**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1

#### ***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

#### ***Purchase of Prior Service***

Same as Plan 1

### **HYBRID RETIREMENT PLAN**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1 and Plan 2

#### ***Disability Coverage***

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### ***Purchase of Prior Service***

#### **Defined Benefit Component:**

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

#### **Defined Contribution Component:**

Not applicable

### **Employees Covered by Benefit Terms**

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	32
Inactive members:	
Vested inactive members	6
Non-vested inactive members	7
LTD	-
Inactive members active elsewhere in VRS	<u>15</u>
Total inactive members	28
Active members	<u>28</u>
Total covered employees	<u><u>88</u></u>

### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

**If the employer used the certified rate:** The Town of Chase City, Virginia's contractually required contribution rate for the year ended June 30, 2023 was 9.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Chase City, Virginia were \$119,320 and \$103,801 for the years ended June 30, 2023 and June 30, 2022, respectively.

### **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Chase City, Virginia, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

### **Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

Pub2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

### ***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including Inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

#### **Mortality rates:**

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

#### **Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

#### **Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

#### **Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

#### **Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

#### **Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*\*The above allocation provides a one-year return of 7.83. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

*\*\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%.*

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2021	\$ 7,590,045	\$ 6,982,406	\$ 607,639
<b>Changes for the Year</b>			
Service cost	86,246	-	86,246
Interest	501,020	-	501,020
Benefit changes	-	-	-
Assumptions changes	-	-	-
Differences between expected and actual experience	(189,874)	-	(189,874)
Contributions - employer	-	92,388	(92,388)
Contributions - employee	-	55,283	(55,283)
Net investment income	-	(71)	71
Benefit payments, including refunds	(507,544)	(507,544)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(4,446)	4,446
Other changes	-	155	(155)
Net Changes	(110,152)	(364,235)	254,083
Balances at June 30, 2022	<u>\$ 7,479,893</u>	<u>\$ 6,618,171</u>	<u>\$ 861,722</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Town of Chase City, Virginia using the discount rate of 6.75%, as well as what the Town of Chase City, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability	\$1,775,189	\$ 861,722	\$ 111,109

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the Town of Chase City, Virginia recognized pension expense of \$219,412. At June 30, 2023, the Town of Chase City, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,221	\$ 108,032
Change in assumptions	42,998	-
Net difference between projected and actual earnings on pension plan investments	-	211,326
Employer contributions subsequent to the measurement date	<u>119,320</u>	<u>-</u>
Total	<u>\$ 213,539</u>	<u>\$ 319,358</u>

\$119,320 reported as deferred outflows of resources related to pensions resulting from the Town of Chase City, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2024	\$ (67,422)
2025	(110,096)
2026	(139,441)
2027	91,820
2028	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/Pdf/Publications/2022-annual-report.pdf](http://varetire.org/Pdf/Publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

# 19 Other Post-Employment Benefits - Group Life Insurance Program

## Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit.</li> <li>• <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>Accidental dismemberment benefit</li> <li>Safety belt benefit</li> <li>Repatriation benefit</li> <li>Felonious assault benefit</li> <li>Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

## Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$6,602 and \$6,602 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

### **GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2023, the participating employer reported a liability of \$67,670 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00562% as compared to .00581% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$439. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,359	\$ 2,715
Net difference between projected and actual investment earnings OPEB program investments	-	4,228
Change in assumptions	2,524	6,591
Changes in proportionate share	1,892	5,679
Employer contributions subsequent to the measurement date	<u>6,602</u>	<u>-</u>
Total	<u>\$ 16,377</u>	<u>\$ 19,213</u>

\$6,602 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b>Year Ended</b>	
<b><u>June 30,</u></b>	
2024	\$ (2,413)
2025	(2,325)
2026	(3,969)
2027	211
2028	(942)
Thereafter	-

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

**Mortality rates – Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Net GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the System’s investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

*\*\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%.*

### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

### **Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 98,468	\$ 67,670	\$ 42,781

### **Group Life Insurance Program Fiduciary Net Position**

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/Pdf/Publications/2022-annual-report.pdf](http://varetire.org/Pdf/Publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## **20 Other Postemployment Benefits – Retiree Health Insurance**

### **Summary of Benefit Provisions**

#### **Health Plan Eligibility**

Participants in the Town of Chase City's OPEB plan must meet the Virginia Retirement System (VRS) retirement eligibility requirements described below in order to be eligible for retiree health benefits. Participants must also retire directly from active employment and be enrolled in the Town's health plan at the time of their retirement.

#### **VRS General Employees' Plan 1**

Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

#### **VRS General Employees' Plan 2 and Hybrid Plan**

Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014 or by member election.

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

#### **VRS Public Safety Employees' Plan 1 and Plan 2**

Plan 1 includes members hired prior to July 1, 2010, while Plan 2 includes members hired on or after July 1, 2010. There is no Hybrid Plan for Virginia Law Officers.

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

### Health Plan Benefits

Health benefits include medical, dental, and vision. Coverage is provided to retirees, as well as their spouses and other eligible dependents.

Health benefits are offered to retirees until the earlier of Medicare eligibility or death. Health benefits are offered to dependent spouses until the earlier of the spouse's Medicare eligibility, the spouse's death, or the retiree's death. If a retiree predeceases their spouse, the spouse may continue coverage through COBRA only.

The monthly premiums shown below are for the 12-month period beginning July 1, 2022:

Plan	Retiree	Dual	Family
Key Advantage 500 Comprehensive Dental	\$688.00	\$1,273.00	\$1,858.00
Key Advantage 500 Preventative Dental	\$671.00	\$1,241.00	\$1,812.00

### Executive Summary

#### *Relationship Between Valuation Date, Measurement Date, and Reporting Date*

The Valuation Date is July 1, 2021. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2023. This is the plan's and/or employer's fiscal year ending date.

#### *Significant Changes*

Given the significant recent increase in inflation, we have updated the medical trend assumptions that were used in the most recent valuation. Please see Appendix A for more information.

Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs during the term of our projections, we have chosen not to make an adjustment in the expected plan costs. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

#### *Participant Data as of July 1, 2021*

	<u>Number</u>
Active members	26
Retirees	-
Beneficiaries	-
Spouses of retirees	-
	<u>26</u>

#### **Total OPEB Liability**

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Total OPEB Liability	\$ 80,997	\$ 94,254
Covered Payroll	1,135,115	1,135,115
Total OPEB liability as a % of covered payroll	7.14%	8.30%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
<b>Discount Rate</b>		
Discount rate	3.54%	<b>3.65%</b>
20 Year Tax-Exempt Municipal Bond Yield	3.54%	<b>3.65%</b>

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

### Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2023 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2012 to June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

Valuation date	July 1, 2021	July 1, 2021
Measurement date	June 30, 2022	June 30, 2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Healthcare Trend Rates	5.40% - 3.90% over 50+ years	6.30% - 3.90% over 50+ years
Salary increases, including inflation	Graded Scale, 5.35%-3.50% over 20+ years	Graded Scale, 5.35%-3.50% over 20+ years

<b>Changes in Total OPEB Liability</b>	<b>Increase (Decrease) Total OPEB Liability</b>	
Balance as of June 30, 2022	\$	80,997
<b>Changes for the Year</b>		
Service cost		8,102
Interest on total OPEB liability		3,136
Effect of plan changes		-
Effect of economic/demographic gains or losses		-
Effect of assumptions changes or inputs		3,025
Benefit payments		<u>(1,006)</u>
Net Changes		<u>13,257</u>
Balance as of June 30, 2023	\$	<u><u>94,254</u></u>

### Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.65%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate:

<b>1.00%</b>		<b>1.00%</b>
<b>Decrease</b>	<b>Discount</b>	<b>Increase</b>
<b><u>2.65%</u></b>	<b>Rate <u>3.65%</u></b>	<b><u>4.65%</u></b>

Total OPEB liability    \$ 103,774    \$ 94,254    \$ 85,658

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<b>1.00%</b>	<b>Current</b>	<b>1.00%</b>
	<b><u>Decrease</u></b>	<b>Trend</b>	<b><u>Increase</u></b>
		<b>Rate</b>	

Total OPEB liability    \$ 80,625    \$ 94,254    \$ 110,654

*Deferred Outflows/Inflows of Resources*

As of June 30, 2023, the deferred outflows and inflows of resources are as follows:

	<b><u>Deferred Outflows</u></b>	<b><u>Deferred Inflows</u></b>
	<b><u>of Resources</u></b>	<b><u>of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 15,642
Changes of assumptions	<u>3,356</u>	<u>10,030</u>
Total	<u>\$ 3,356</u>	<u>\$ 25,672</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<b><u>Year Ended</u></b>	
<b><u>June 30.</u></b>	
2024	\$ (4,727)
2025	(4,634)
2026	(3,809)
2027	(3,809)
2028	(3,809)
Thereafter*	(1,528)

\*Note that additional future deferred outflows and inflows of resources may impact these numbers.

## 21 Aggregate OPEB Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
<b>VRS OPEB Plans</b>				
<i>Group Life Insurance</i>				
Primary Government	\$ 16,377	\$ 19,213	\$ 67,670	\$ 439
<b>Retiree Health Insurance</b>				
Primary Government	3,356	25,672	94,254	6,511
Totals	\$ 19,733	\$ 44,885	\$ 161,924	\$ 6,950

## 22 Fund Balances – Governmental Funds

As of June 30, 2023, fund balances are composed of the following:

	Primary Government				
	General Fund	CDBG Street Projects Funds	Cemetery Fund	Woodland Cemetery Fund	Total Governmental Funds
<b>Restricted for</b>					
Block grant expenditures	\$ -	\$ 8,415	\$ -	\$ -	\$ 8,415
Cemetery	-	-	-	1,784,352	1,784,352
<b>Assigned for</b>					
Future operating costs	-	-	56,871	-	56,871
	\$ -	\$ 8,415	\$ 56,871	\$ 1,784,352	\$ 1,849,638

## 23 Landfill Closure and Post-Closure Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town will recognize the remaining estimated cost of closure and post-closure care of \$1,188,084 as the cost to finalize closure of its landfill. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town is paying this cost on an annual pay-as-you-go basis. Using June 30, 2023 financial data, the Town has not met the EPA's financial assurance requirements.

## 24 Upcoming Pronouncements

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

## **25** Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through February 10, 2024.

# REQUIRED SUPPLEMENTARY INFORMATION



Town of Chase City, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>General Fund</b>				
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real and personal property taxes	\$ 543,000	\$ 543,000	\$ 579,750	\$ 36,750
Delinquent taxes	30,000	30,000	37,236	7,236
Interest on taxes	4,700	4,700	4,872	172
Penalties on taxes	7,800	7,800	8,384	584
Total General Property Taxes	585,500	585,500	630,242	44,742
<b>Other Local Taxes</b>				
Local sales and use taxes	350,000	350,000	364,226	14,226
Game of Skill taxes	500	500	-	(500)
Utility and consumption taxes	82,000	82,000	69,389	(12,611)
Business license taxes	115,000	115,000	138,843	23,843
Motor vehicle licenses	26,000	26,000	18,664	(7,336)
Bank franchise tax	78,000	78,000	109,098	31,098
Meals tax	222,000	222,000	239,728	17,728
Total Other Local Taxes	873,500	873,500	939,948	66,448
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Other permits, licenses, and fees	1,150	1,150	1,080	(70)
Total Permits, Privilege Fees, and Regulatory Licenses	1,150	1,150	1,080	(70)
<b>Fines and Forfeitures</b>				
	38,300	38,300	40,563	2,263
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	12,515	12,515	8,435	(4,080)
Revenue from use of property	11,500	11,500	17,966	6,466
Total Use of Money and Property	24,015	24,015	26,401	2,386
<b>Charges for Services</b>				
Garbage fees	256,800	256,800	248,680	(8,120)
Miscellaneous charges	10,000	10,000	3,765	(6,235)
Total Charges for Services	266,800	266,800	252,445	(14,355)
<b>Recovered Costs</b>				
Fire department reimbursements for new truck	56,394	56,394	56,393	(1)
Total Recovered Costs	56,394	56,394	56,393	(1)
<b>Miscellaneous</b>				
Other miscellaneous	46,000	46,000	91,614	45,614
Administrative fee for delinquent taxes	10,500	10,500	11,837	1,337
Total Miscellaneous	56,500	56,500	103,451	46,951

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communications taxes	50,000	50,000	36,896	(13,104)
U Haul	-	-	41	41
Mobile Home Tax	-	-	3,750	3,750
Personal Property Tax Relief Act	66,000	66,000	65,899	(101)
Rolling stock taxes - motor vehicle carriers tax	1,400	1,400	1,311	(89)
Total Noncategorical Aid	117,400	117,400	107,897	(9,503)
<i>Categorical Aid</i>				
Law enforcement grant	64,000	64,000	69,671	5,671
Drug forfeiture funds	7,000	7,000	-	(7,000)
Street highway funds	477,000	477,000	550,217	73,217
Department of Aviation	-	-	4,560	4,560
Litter control	1,650	1,650	3,408	1,758
Fire program	15,000	15,000	15,000	-
Total Categorical Aid	564,650	564,650	642,856	78,206
Total Revenue from the Commonwealth of Virginia	682,050	682,050	750,753	68,703
<i>Revenue from the Federal Government</i>				
Lee Building Project Grant	-	-	18,788	18,788
Disaster Grant	-	-	103,861	103,861
Edward Byrne JAG Funds	-	-	8,289	8,289
CDBG Planning Grant	-	-	3,000	3,000
Mecca Theatre Project Grant - ARPA Funds	-	-	130,239	130,239
Transportation Highway Safety Grant	6,900	6,900	13,868	6,968
Total Revenue from the Federal Government	6,900	6,900	278,045	271,145
Total Intergovernmental Revenue	688,950	688,950	1,028,798	339,848
Total Revenues	2,591,109	2,591,109	3,079,321	488,212
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Town Council and legislative	107,187	107,187	75,804	31,383
Town Manager	113,735	113,735	106,673	7,062
Treasurer	198,310	198,310	200,046	(1,736)
Electoral Board	1,900	1,900	-	1,900
Data Processing	21,100	21,100	20,523	577
Total General Government Administration	442,232	442,232	403,046	39,186
<i>Public Safety</i>				
Police Department	901,355	901,355	840,678	60,677
Fire Department	93,400	93,400	86,326	7,074
Total Public Safety	994,755	994,755	927,004	67,751

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	568,727	568,727	569,811	(1,084)
Refuse disposal	285,025	285,025	285,667	(642)
Maintenance of buildings and grounds	139,481	139,481	361,441	(221,960)
Total Public Works	<u>993,233</u>	<u>993,233</u>	1,216,919	(223,686)
<i>Parks, Recreation, and Cultural</i>				
Regional library	13,600	13,600	14,237	(637)
Recreation	17,400	17,400	9,627	7,773
Total Parks, Recreation, and Cultural	<u>31,000</u>	<u>31,000</u>	23,864	7,136
<i>Community Development</i>				
Zoning	465	465	410	55
Airport	14,755	14,755	18,393	(3,638)
Economic Development	8,100	8,100	9,350	(1,250)
Total Community Development	<u>23,320</u>	<u>23,320</u>	28,153	(4,833)
<i>Debt Service</i>				
Total Expenditures	<u>106,569</u>	<u>106,569</u>	111,909	(5,340)
Total Expenditures	<u>2,591,109</u>	<u>2,591,109</u>	2,710,895	(119,786)
Excess (Deficiency) of Revenues Over Expenditures	-	-	368,426	368,426
<b>Other Financing Sources (Uses)</b>				
Transfers in from other funds	-	-	-	-
Lease liabilities assumed	-	-	-	-
Proceeds from loans	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	368,426	<u>\$ 368,426</u>
Fund Balance - Beginning of Year			<u>2,186,539</u>	
Fund Balance - End of Year			<u>\$ 2,554,965</u>	

Variance  
With  
Final Budget  
Positive  
(Negative)

**Cemetery Fund**

**Revenues**

**Revenue from Use of Money and Property**

Revenue from use of money	\$ 600	\$ 600	\$ 273	\$ (327)
Revenue from use of property	<u>11,300</u>	<u>11,300</u>	<u>5,650</u>	<u>(5,650)</u>
Total Use of Money and Property	11,900	11,900	5,923	(5,977)

**Charges for Services - Grave Digging**

	12,500	12,500	12,219	(281)
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**Miscellaneous**

	<u>200</u>	<u>200</u>	<u>440</u>	<u>240</u>
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Total Revenues	24,600	24,600	18,582	(6,018)
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**Expenditures**

**Current**

*Parks, Recreation, and Cultural*

Cemetery Expenses	<u>24,600</u>	<u>24,600</u>	<u>17,952</u>	<u>6,648</u>
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Total Expenditures	<u>24,600</u>	<u>24,600</u>	<u>17,952</u>	<u>6,648</u>
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Excess (Deficiency) of Revenues Over Expenditures	-	-	630	630
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**Other Financing Sources (Uses)**

Transfers out to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
--------------------------------------	----------	----------	----------	----------

Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	630	<u>\$ 630</u>
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Fund Balance - Beginning of Year			<u>56,241</u>	
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Fund Balance - End of Year			<u>\$ 56,871</u>	
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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Woodland Cemetery Fund</b>				
<b>Revenues</b>				
<b>Revenue from Use of Money and Property</b>				
Revenue from use of (loss on investment of) money	\$ 68,250	\$ 68,250	\$ 23,961	\$ (44,289)
<b>Miscellaneous revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	68,250	68,250	23,961	(44,289)
<b>Expenditures</b>				
<b>Current</b>				
<i>Parks, Recreation, and Cultural Cemetery expenses</i>	<u>68,250</u>	<u>68,250</u>	<u>88,310</u>	<u>(20,060)</u>
Total Expenditures	<u>68,250</u>	<u>68,250</u>	<u>88,310</u>	<u>(20,060)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(64,349)	(64,349)
<b>Other Financing Sources (Uses)</b>				
Transfer from general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(64,349)	<u>\$ (64,349)</u>
Fund Balance - Beginning of Year			<u>1,848,701</u>	
Fund Balance - End of Year			<u>\$ 1,784,352</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>ARPA Fund</b>				
<b>Revenues</b>				
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money - interest	\$ -	\$ -	\$ 5,838	\$ 5,838
<b>Intergovernmental</b>				
Revenue from the federal government	<u>1,149,050</u>	<u>1,149,050</u>	<u>805,733</u>	<u>(343,317)</u>
Total Revenues	1,149,050	1,149,050	811,571	(337,479)
<b>Expenditures</b>				
<b>Current</b>				
<i>Public works</i>				
ARPA expenses	<u>1,149,050</u>	<u>1,149,050</u>	<u>770,321</u>	<u>378,729</u>
Total Expenditures	<u>1,149,050</u>	<u>1,149,050</u>	<u>770,321</u>	<u>378,729</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	41,250	41,250
<b>Other Financing Sources (Uses)</b>				
Transfer to Water Fund	<u>-</u>	<u>-</u>	<u>(41,250)</u>	<u>(41,250)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(41,250)</u>	<u>(41,250)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

Town of Chase City, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios

For the Plan Years Ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>									
Service cost	\$ 86,246	\$ 95,144	\$ 92,606	\$ 96,283	\$ 92,551	\$ 97,803	\$ 100,448	\$ 97,609	\$ 95,110
Interest	501,020	460,124	439,660	414,438	387,779	419,693	416,635	403,747	387,961
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(189,874)	230,941	188,333	304,870	260,626	(593,467)	(158,628)	(70,433)	-
Changes of assumptions	-	193,870	-	178,853	-	(19,839)	-	-	-
Benefit payments	(507,544)	(413,366)	(421,492)	(381,521)	(338,702)	(381,511)	(248,021)	(245,598)	(269,521)
<b>Net change in total pension liability</b>	<b>(110,152)</b>	<b>566,713</b>	<b>299,107</b>	<b>612,923</b>	<b>402,254</b>	<b>(477,321)</b>	<b>110,434</b>	<b>185,325</b>	<b>213,550</b>
<b>Total pension liability - beginning</b>	<b>7,590,045</b>	<b>7,023,332</b>	<b>6,724,225</b>	<b>6,111,302</b>	<b>5,709,048</b>	<b>6,186,369</b>	<b>6,075,935</b>	<b>5,890,610</b>	<b>5,677,060</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 7,479,893</b>	<b>\$ 7,590,045</b>	<b>\$ 7,023,332</b>	<b>\$ 6,724,225</b>	<b>\$ 6,111,302</b>	<b>\$ 5,709,048</b>	<b>\$ 6,186,369</b>	<b>\$ 6,075,935</b>	<b>\$ 5,890,610</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 92,388	\$ 92,229	\$ 52,498	\$ 51,274	\$ 85,940	\$ 82,383	\$ 123,577	\$ 122,209	\$ 114,470
Contributions - employee	55,283	55,109	55,226	52,995	56,857	53,622	55,868	55,343	53,224
Net investment income	(71)	1,533,214	111,572	377,646	410,764	624,819	90,214	230,486	699,769
Benefit payments	(507,544)	(413,366)	(421,492)	(381,521)	(338,702)	(381,511)	(248,021)	(245,598)	(269,521)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Administrator charges	(4,446)	(3,967)	(3,988)	(3,958)	(3,635)	(3,777)	(3,245)	(3,175)	(3,822)
Other	155	143	(129)	(237)	(362)	(549)	(38)	(50)	37
<b>Net change in plan fiduciary net position</b>	<b>(364,235)</b>	<b>1,263,362</b>	<b>(206,313)</b>	<b>96,199</b>	<b>210,862</b>	<b>374,987</b>	<b>18,355</b>	<b>159,215</b>	<b>594,157</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,982,406</b>	<b>5,719,044</b>	<b>5,925,357</b>	<b>5,829,158</b>	<b>5,618,296</b>	<b>5,243,309</b>	<b>5,224,954</b>	<b>5,065,739</b>	<b>4,471,582</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,618,171</b>	<b>\$ 6,982,406</b>	<b>\$ 5,719,044</b>	<b>\$ 5,925,357</b>	<b>\$ 5,829,158</b>	<b>\$ 5,618,296</b>	<b>\$ 5,243,309</b>	<b>\$ 5,224,954</b>	<b>\$ 5,065,739</b>
<b>Political subdivision's net pension liability - ending (a - b)</b>	<b>\$ 861,722</b>	<b>\$ 607,639</b>	<b>\$ 1,304,288</b>	<b>\$ 798,868</b>	<b>\$ 282,144</b>	<b>\$ 90,752</b>	<b>\$ 943,060</b>	<b>\$ 850,981</b>	<b>\$ 824,871</b>
<b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>88.48%</b>	<b>91.99%</b>	<b>81.43%</b>	<b>88.12%</b>	<b>95.38%</b>	<b>98.41%</b>	<b>84.76%</b>	<b>85.99%</b>	<b>86.00%</b>
<b>Covered payroll</b>	<b>1,222,621</b>	<b>1,200,399</b>	<b>1,185,697</b>	<b>1,112,881</b>	<b>1,096,588</b>	<b>1,070,207</b>	<b>1,128,484</b>	<b>1,144,446</b>	<b>1,050,148</b>
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>70.48%</b>	<b>50.62%</b>	<b>110.00%</b>	<b>71.78%</b>	<b>25.73%</b>	<b>8.48%</b>	<b>83.57%</b>	<b>74.36%</b>	<b>78.55%</b>

**Town of Chase City, Virginia**

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>2023</b>	\$ 119,320	\$ 119,320	\$ -	\$ 1,222,536	9.76%
2022	103,801	103,801	-	1,222,621	8.49%
2021	101,914	101,914	-	1,200,399	8.49%
2020	59,641	59,641	-	1,185,697	5.03%
2019	55,978	55,978	-	1,112,881	5.03%
2018	87,727	87,727	-	1,096,588	8.00%
2017	85,617	85,617	-	1,070,207	8.00%
2016	124,133	124,133	-	1,128,484	11.00%
2015	125,889	125,889	-	1,144,446	11.00%
2014	112,891	112,891	-	1,050,148	10.75%

\*Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

**For Reference Only:**

Column 1 – Employer contribution rate multiplied by the employer’s covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 – Employer’s covered payroll amount for the fiscal year

## Town of Chase City, Virginia

### Notes to Required Supplementary Information

For the Year Ended June 30, 2023

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Town of Chase City, Virginia**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance  
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	\$ 67,670	\$ 67,644	\$ 96,125	\$ 92,429	\$ 94,000	\$ 89,000
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	0.005620%	0.005810%	0.005760%	0.005680%	0.006200%	0.005950%
Employer's Covered Payroll	1,222,621	1,200,399	1,185,697	1,112,881	1,096,588	1,070,207
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.53%	5.64%	8.11%	8.31%	8.57%	8.32%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.  
Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.*

**For Reference Only**

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

**Town of Chase City, Virginia**

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2014 through 2023

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contribution in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
<b>2023</b>	<b>\$ 6,602</b>	<b>\$ 6,602</b>	<b>\$ -</b>	<b>\$ 1,222,536</b>	<b>0.54%</b>
2022	6,602	6,602	-	1,222,621	0.54%
2021	6,482	6,482	-	1,200,399	0.54%
2020	6,166	6,166	-	1,185,697	0.52%
2019	5,787	5,787	-	1,112,881	0.52%
2018	6,100	6,100	-	1,096,588	0.52%
2017	5,704	5,704	-	1,070,207	0.52%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

**For Reference Only**

Column 1 – Employer contribution rate multiplied by the employer’s covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 – Employer’s covered payroll amount for the fiscal year

## Town of Chase City, Virginia

### Notes to Required Supplementary Information – Group Life Insurance

For the Year Ended June 30, 2023

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### **Non-Largest Ten Locality Employers – General Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

#### **Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and change final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Town of Chase City, Virginia**

Schedule of Changes in the Political Subdivision's Net OPEB Liability  
and Related Ratios

Retiree Health Insurance

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 8,102	\$ 9,962	\$ 10,053	\$ 8,369	\$ 7,834	\$ 8,084
Interest on total OPEB liability	3,136	2,387	2,294	3,713	3,709	3,121
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains (losses)	-	(17,945)	-	(7,911)	-	-
Effect of assumption changes or inputs	3,025	(13,744)	479	1,919	3,406	(3,099)
Benefit payments	<u>(1,006)</u>	<u>(457)</u>	<u>(11,416)</u>	<u>(8,768)</u>	<u>(1,810)</u>	<u>(488)</u>
<b>Net change in total OPEB liability</b>	<b>13,257</b>	<b>(19,797)</b>	<b>1,410</b>	<b>(2,678)</b>	<b>13,139</b>	<b>7,618</b>
<b>Total OPEB liability - beginning</b>	<b>80,997</b>	<b>100,794</b>	<b>99,384</b>	<b>102,062</b>	<b>88,923</b>	<b>81,305</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 94,254</u></b>	<b><u>\$ 80,997</u></b>	<b><u>\$ 100,794</u></b>	<b><u>\$ 99,384</u></b>	<b><u>\$ 102,062</u></b>	<b><u>\$ 88,923</u></b>
<b>Covered payroll</b>	<b>\$ 1,135,115</b>	<b>\$ 1,135,115</b>	<b>\$ 1,360,548</b>	<b>\$ 1,070,812</b>	<b>\$ 1,146,900</b>	<b>\$ 1,146,900</b>
<b>Total OPEB liability as a % of covered payroll</b>	<b>8.30%</b>	<b>7.14%</b>	<b>7.41%</b>	<b>9.28%</b>	<b>8.90%</b>	<b>7.75%</b>

**Note:** This schedule should present 10 years of data; however, the information prior to fiscal year 2018 is not available.

## Town of Chase City, Virginia

### Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2014 through 2023

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2023	\$ -	\$ -	\$ -	\$ 1,135,115	0.00%
2022	-	-	-	1,135,115	0.00%
2021	-	-	-	1,360,548	0.00%
2020	-	-	-	1,070,812	0.00%
2019	-	-	-	1,146,900	0.00%
2018	-	-	-	1,146,900	0.00%
2017	-	-	-	1,146,900	0.00%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

**Note:** This schedule should present 10 years of data; however, the information prior to fiscal year 2016 is not available.

# COMPLIANCE SECTION





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Council  
Town of Chase City, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Chase City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Chase City, Virginia's basic financial statements, and have issued our report thereon dated February 10, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Chase City, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Chase City, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Chase City, Virginia's internal control.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

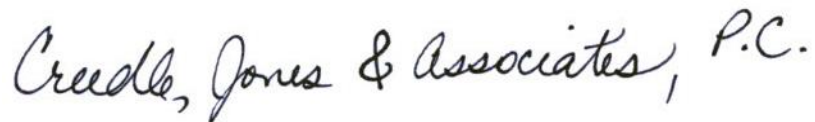
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chase City, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
February 10, 2024



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Council  
Town of Chase City, Virginia

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Town of Chase City, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Chase City, Virginia's major federal programs for the year ended June 30, 2023. Town of Chase City, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Chase City, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Chase City, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Chase City, Virginia's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Chase City, Virginia's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Chase City, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Chase City, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Chase City, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Chase City, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Chase City, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Creedle, Jones & Associates, P.C.*

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
February 10, 2024

**Town of Chase City, Virginia**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U. S. Department of the Justice</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grants	16.738	140	\$ 8,289
Subtotal - U. S. Department of Justice			8,289
<b>U. S. Department of Homeland Security</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Emergency Management</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	127	103,861
Subtotal - U. S. Department of the Homeland Security			103,861
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Transportation</i>			
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	530	13,868
Total Highway Safety Cluster			13,868
Subtotal - U. S. Department of Transportation			13,868
<b>U. S. Department of the Treasury</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Housing and Community Development</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	165	130,239
<i>Virginia Department of Motor Vehicles</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	530	805,733
<i>Virginia Department of Historic Resources</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	423	18,788
Subtotal - U. S. Department of the Treasury			954,760
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Housing and Community Development</i>			
Community Development Block Grants/State's Program	14.228	165	147,349
Subtotal - U. S. Department of Housing and Urban Development			147,349
Grand Totals			\$ 1,228,127

See accompanying notes to schedule of expenditures of federal awards.

## Town of Chase City, Virginia

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Chase City, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Chase City, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Chase City, Virginia.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

Town of Chase City, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**4. Subrecipients**

No awards passed through to subrecipients.

**Town of Chase City, Virginia**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

*Internal control over financial reporting:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

**Federal Awards**

*Internal control over major federal programs:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

*Identification of major federal programs:*

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters reported